Alphabet - Class A (NASDAQ: GOOGL)

Sector: Technology

Target Price: $1327.00  Current Price: $1068.21  52 Week High: $1289.27  52 Week Low: $970.11  P/E: 25.06  Terminal growth rate: 4%
Market Cap: $803.03B  Beta: 0.94  WACC: 9%

Business Description
Alphabet is a holding company known most for its primary business, Google. Alphabet was formed in 2015 in order to separate out the performance of Google (making up 99% of revenue) from the exploratory “Other Bets” the company pursues. Google is one of the largest and fastest growing players in the advertising and search engine space. Google earns a majority of its revenue through advertising and its search functions. Other Bets is made up of experimental companies including self-driving cars.

Industry Trends
As consumers are turning away from cable television businesses are looking online to advertise. Online advertising has seen significant growth over the past decade. It has more than doubled since 2014 and is only expected to rise even further. The use of cloud services and online computing is growing exponentially and is expected to continue to grow in the future.

Investment Thesis
Google’s ability to establish itself as a leader in the innovation and technology industry will allow them to remain at the forefront of the tech industry for years to come. The integration of Google platforms into everyday life as well as their pursuance of rising fields such as cloud storage and computing, artificial intelligence, and quantum computing will allow Alphabet to maintain their advantage and continue to earn above average returns for the years to come. Following the Covid-19 epidemic, we believe that Google is positioned well to bounce back quickly as their business operations are able to function during work from home protocol. When businesses recover from the current downfall and look to bring back customers, we expect Alphabet’s advertising to remain at the forefront of the ad world.

Corporate Social Responsibility
-12 years of carbon neutrality
-100% renewable energy
-Excellent employee treatment, compensation, and workplace design

5-Year Stock Performance

Competitive Advantages
Google virtually has a monopoly in the online advertising market. Its platforms have become integrated into the lives of its users to the point where searching the internet is coined with the term “Google it”. This market dominance will allow Alphabet to maintain their dominance in the advertising sphere. Additionally, it continues to innovate and find new alternative investment opportunities that can further the success of its current market position.

Competitor Analysis
Google is positioned well against its competitors as there is no one true competitor that operates in all the same industries. Competitors across industries do include Microsoft, Amazon, Alibaba, Baidu, Apple and Facebook. These companies compete across Google’s main business segments.

Risks
Alphabet has a few major risks concerning the firm. 86% of Google’s revenues come from advertising online, should the market shift, Google would see severe adverse results. The current antitrust regulations could cause disruption among operations within the company, with government regulators wanting to limit the scope of their business.

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